

8/19/97

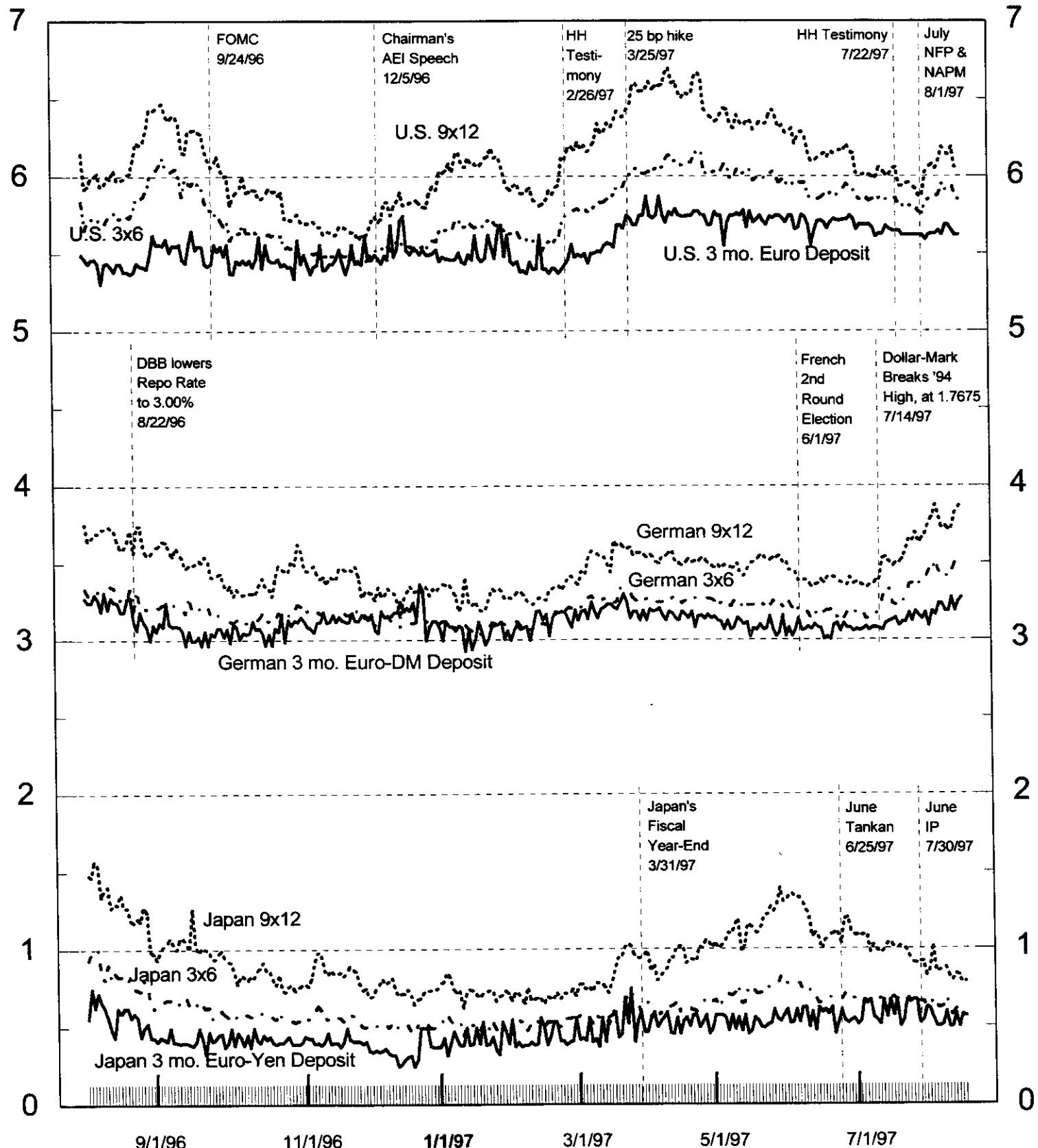
## **APPENDIX 1**

Charts used by Mr. Fisher in his statement.

## G-3 FRA and Euro-Deposit Rates

Percent

(August 1, 1996 - August 15, 1997)



9/1/96

11/1/96

1/1/97

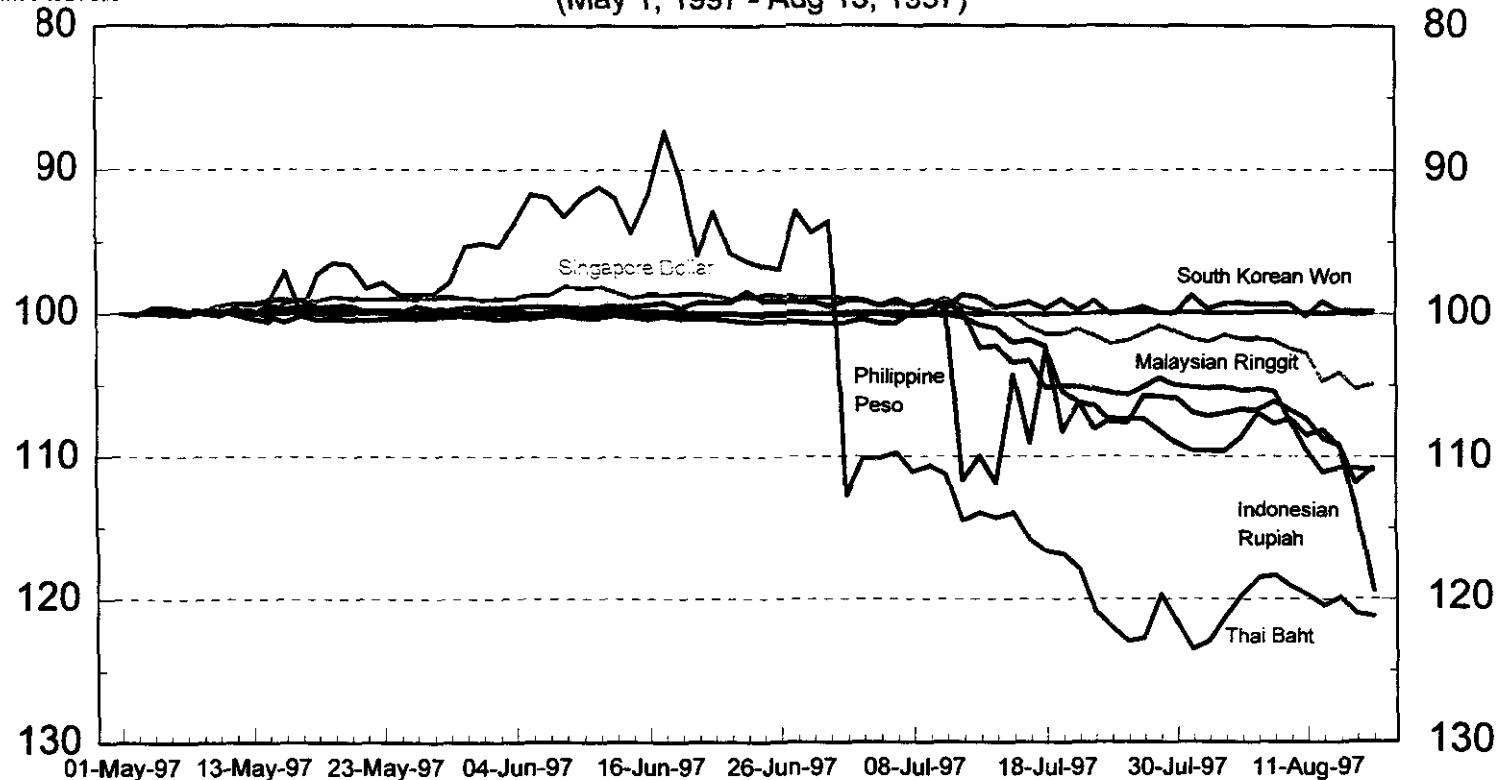
3/1/97

5/1/97

7/1/97

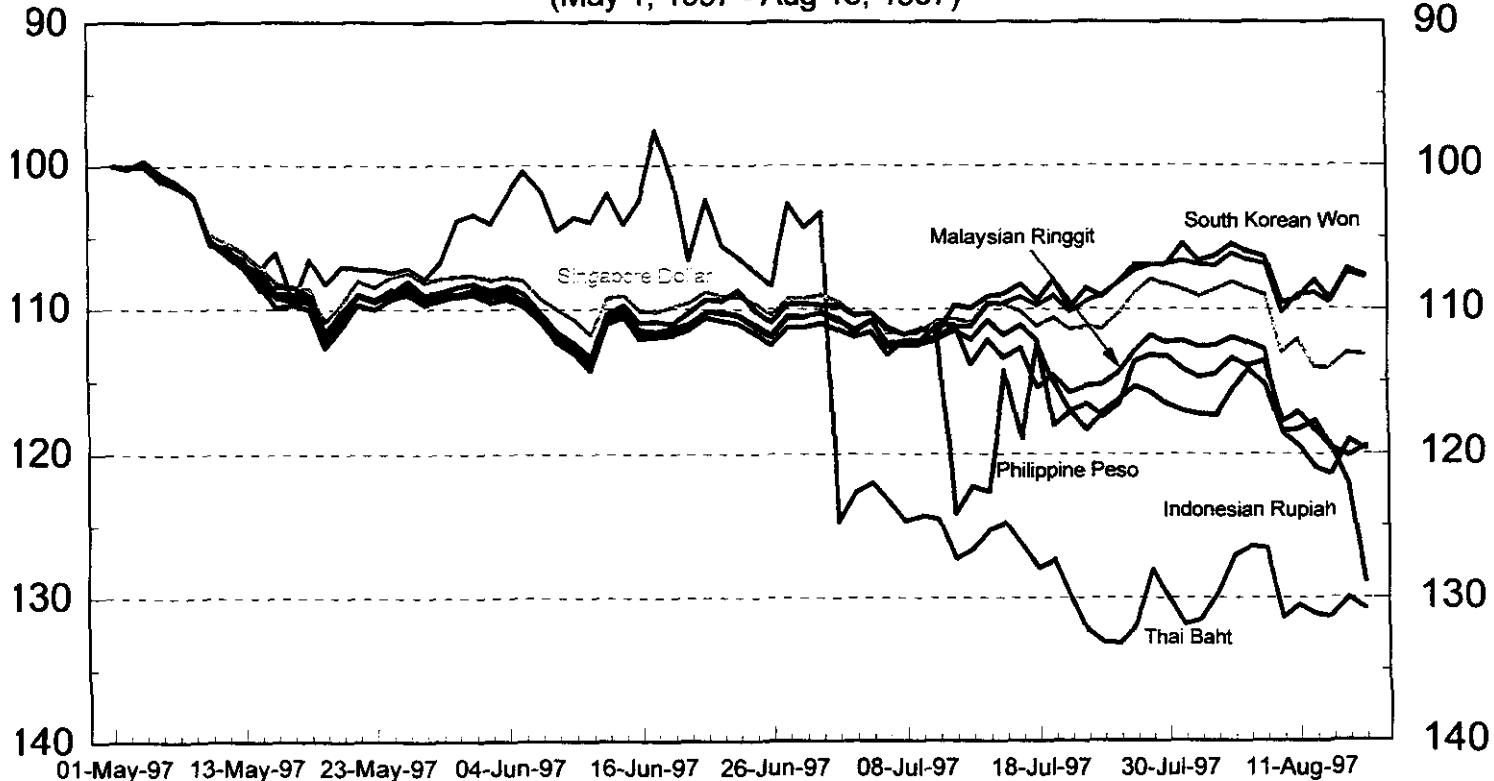
5/1/97=100  
Inverted Axis

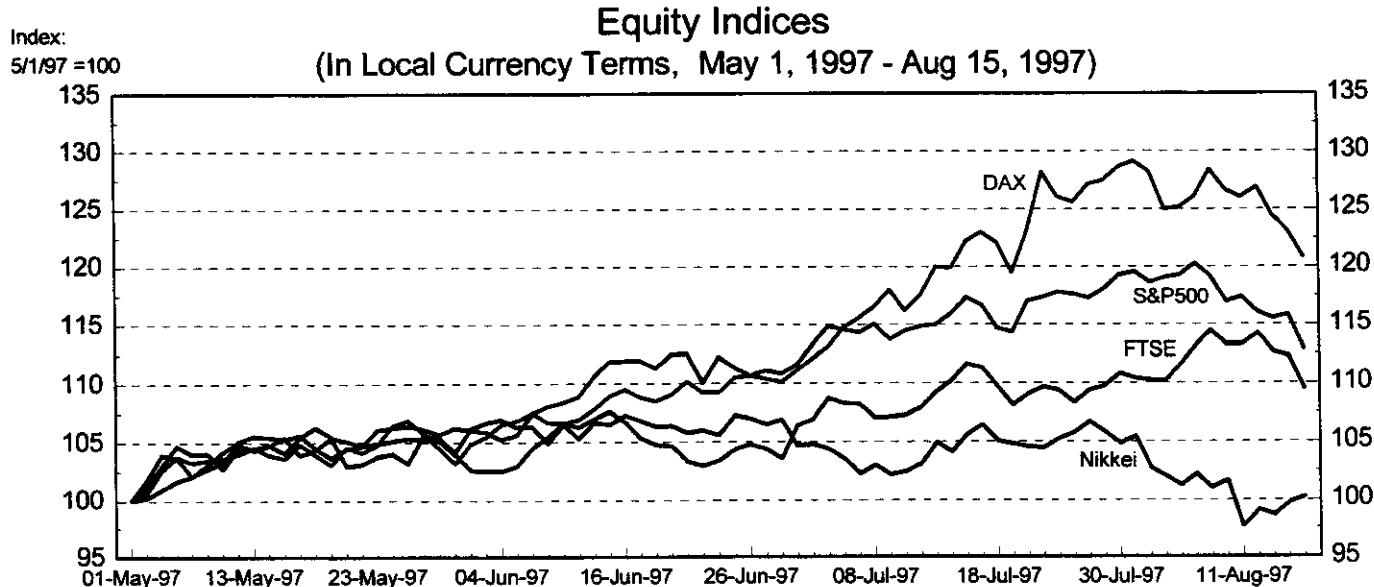
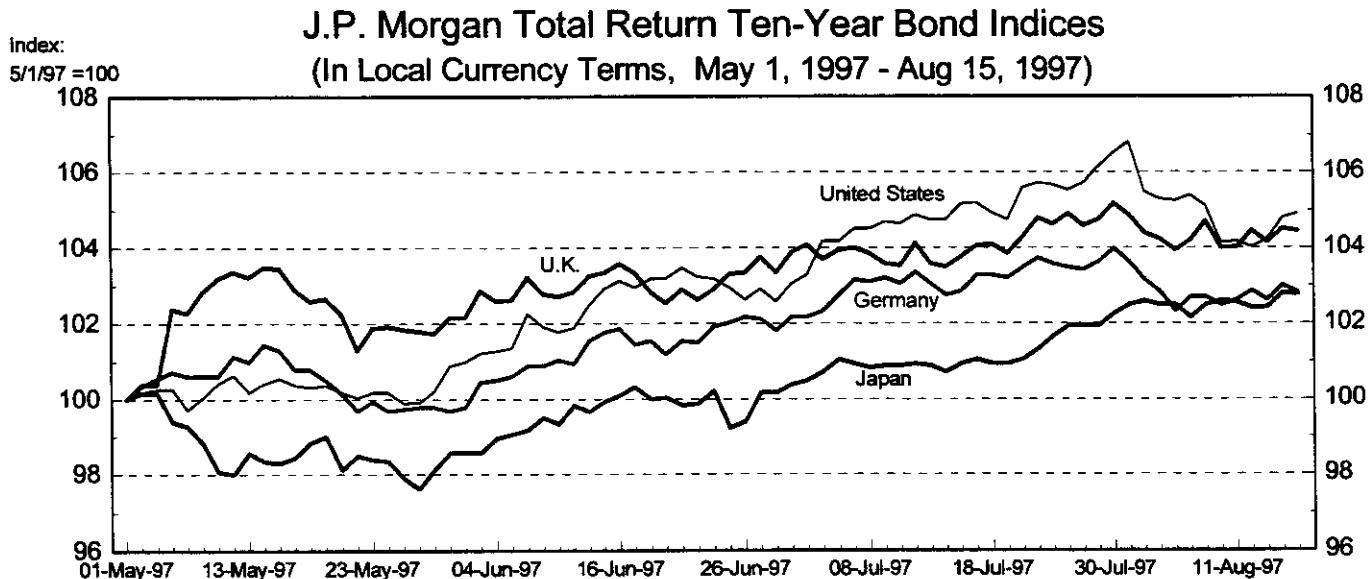
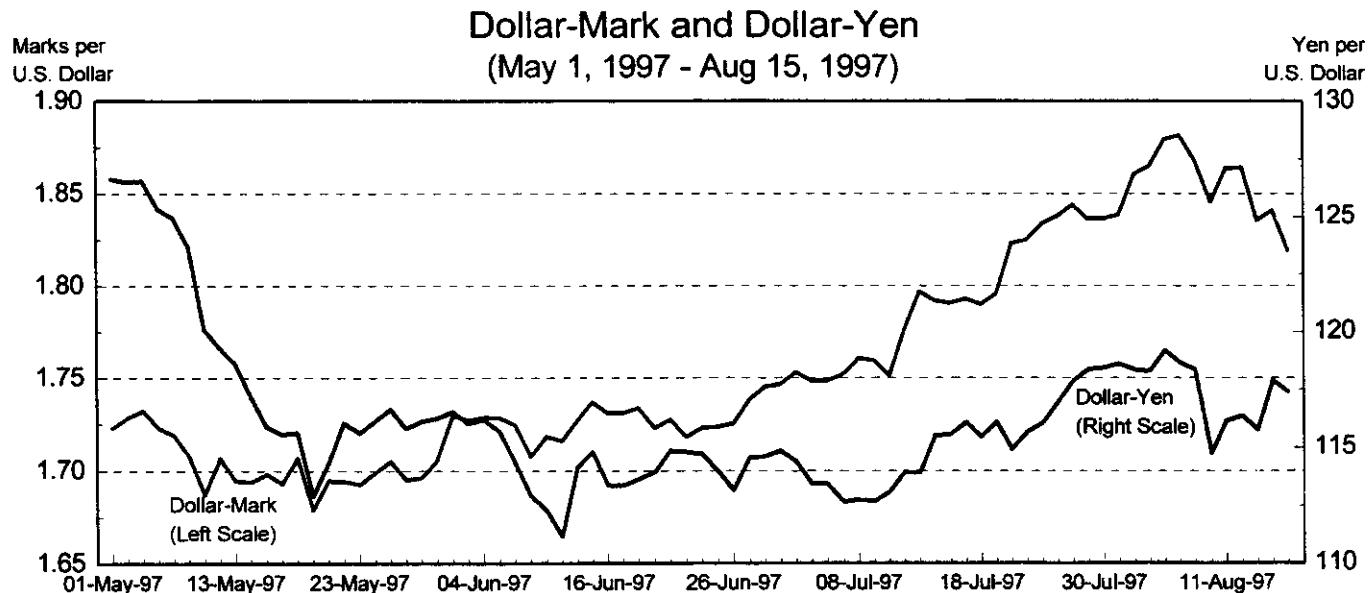
### Asian Currencies Indexed Against U.S. Dollar (May 1, 1997 - Aug 15, 1997)



5/1=100  
Inverted Axis

### Asian Currencies Indexed Against Japanese Yen (May 1, 1997 - Aug 15, 1997)





--- OLD PARADIGM ---

*Growth needs to be moderate, or slowed, to avoid a pick up in inflation.*

--- NEW PARADIGM ---

*As a result of investment, productivity, competition, etc., growth can be strong, and even accelerate, without causing inflation to rise.*

**Pessimist**

**Current view of economy:**

INFLATION is about to break out! It's hiding in the lags.

**Optimist**

Inflation is probably coming; but how soon is hard to tell.

**Optimist**

It's a new era: productivity growth is taming inflation.

**Pessimist**

DEFLATION is here! There's no pricing power. Global capacity glut looms ahead.

**View of Fed:**

Behind the curve; providing too much liquidity.

Doing a good job; maybe they can pull this off for a few more quarters.

Doing a great job! Greenspan is a genius! Maybe they can pull this off forever.

Way too tight; only making the deflation worse.

**Response to low inflation and strong activity:  
(e.g., 8/13 PPI and Retail Sales)**

Sells stocks short; sells bonds short at low yields.

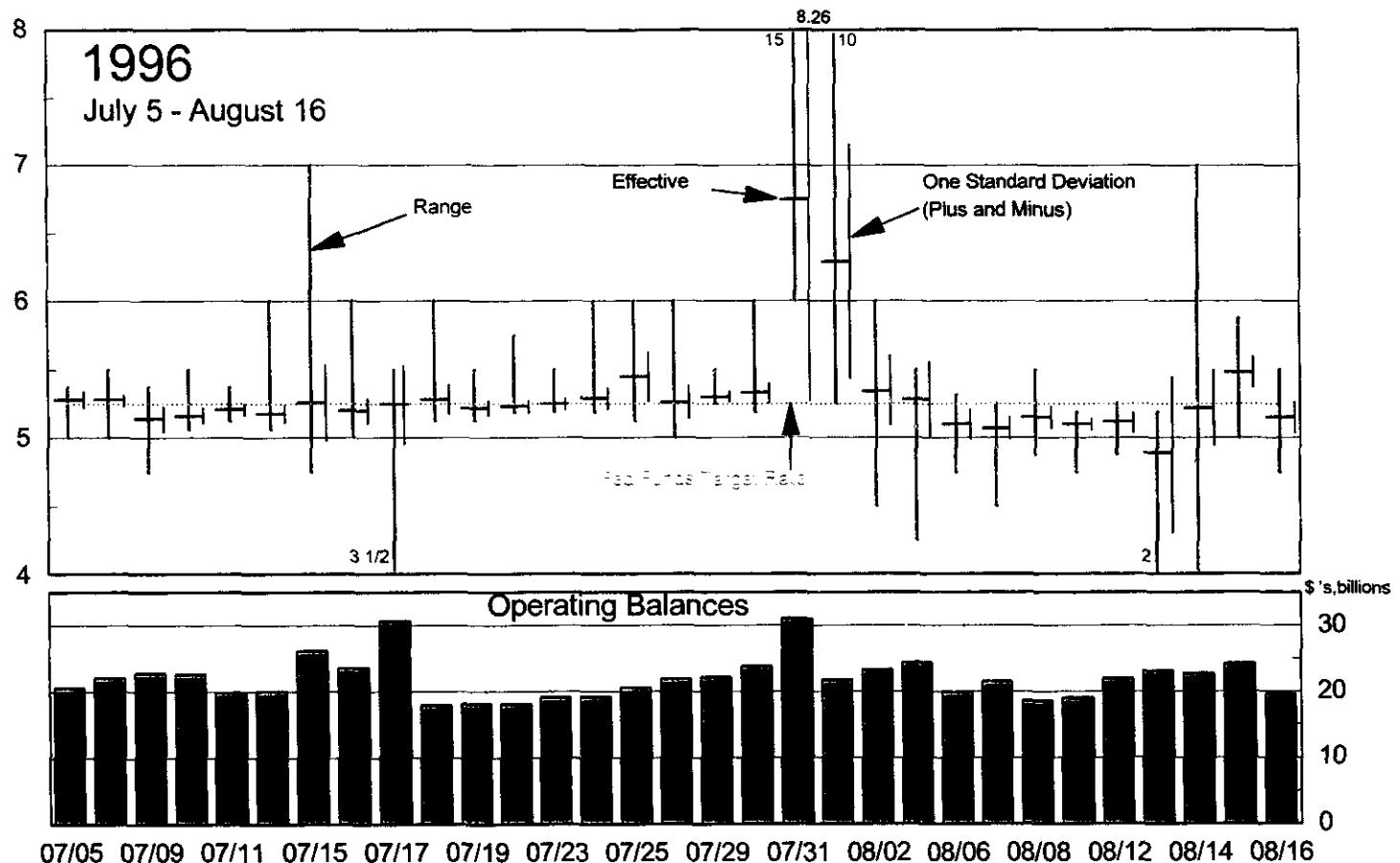
Buy stocks and bonds on dips; sells them on rallies.

Buy loads of stocks and some bonds whenever possible.

Sells stocks short; buys Treasuries.

# Federal Funds Rate And Operating Balances

Percent



Percent

